



STATE OF MICHIGAN
STATE BOARD OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

September 4, 2014

M E M O R A N D U M

TO: State Board of Education

FROM: John C. Austin, President, State Board of Education

SUBJECT: Discussion on Michigan School Organization and Finance

The State Board of Education will discuss the attached document, Directions for Change in Michigan School Organization and Finance, at its meeting on September 9, 2014.

STATE BOARD OF EDUCATION

JOHN C. AUSTIN – PRESIDENT • CASANDRA E. ULBRICH – VICE PRESIDENT
DANIEL VARNER – SECRETARY • RICHARD ZEILE – TREASURER
MICHELLE FECTEAU – NASBE DELEGATE • LUPE RAMOS-MONTIGNY
KATHLEEN N. STRAUS • EILEEN LAPPIN WEISER

608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324

Michigan State Board of Education
Directions for Change in Michigan School Organization and Finance

Discussion Draft September 9, 2014

In January of 2014 the State Board of Education began a process to drive understanding of Michigan School Finance and Organization issues and needs, identify priorities, and make recommendations for change.

Over intervening months the State Board of Education has heard detailed analyses of the issues and recommendations for change from the public, dozens of stakeholders, researchers and education policy analysts from across the spectrum. The analyses offered a variety of perspectives about challenges and problems with Michigan's current education finance model, as well as provided insights into potential solutions, including the approaches used by successful state systems elsewhere.

Twenty years after Proposal A there is broad consensus that changes to our state's school organization and finance model are due to provide the consistent support for public education envisioned by the architects of Proposal A; and most importantly, to provide the funding and school organization policy that is most effective at improving learning and outcomes for all Michigan students.

Directions for Change

This analysis, taken together, suggests the following changes – some large, others more modest as directions for reform of Michigan's system, in order to better support learning and student outcomes in our state. The State Board of Education will work to develop more specific recommendations as part of comprehensive reform recommendations later this fall.

Priorities for Education Finance and Organization System Reform include:

- Ensure predictable funding for K-12 education that maintains a consistent level of state effort and budget priority.
- Differentiate the foundation grant for student/school characteristics. Following the approach of the most successful state systems, Michigan should develop a funding formula that provides differential funding based on costs of different types of instruction and schools, and the differential needs of students. A process akin to Massachusetts, where an educator/expert led commission, could create a revised funding formula.
- Reward success: develop a formula where enhanced resources encourage and reward student learning growth and success, and are accompanied by clear performance expectations and strong accountability.

- Enhanced investment in quality early childhood education, and teacher/ educator preparation, support, and professional growth as the most powerful levers to increase student achievement.
- Ensure significant education reforms and new demands (e.g. new standards, new teacher training and evaluation) are accompanied by sufficient resources to build capacity of schools and educators to adapt and effectively implement reforms.
- Develop a reformed approach to school finance, school choice, and charter policy that:
 - Softens financial impact of changes in enrollment patterns;
 - Attends to issues of neighborhood and community needs, and equal access and opportunity to attend a quality school;
 - Ensures transparency and quality consistently in all schools and when creating new schools.
- A funding system that creates financial incentives to encourage early college-credit taking, and earning of postsecondary credentials in high school; and encourages personalized instruction, course-taking and growth.
- A state mechanism to support financing of vital school capital, infrastructure and technology that supports all schools and districts.
- A mechanism to afford local districts to effectively raise additional revenues without recreating significant inequities between districts.
- Policy that provides early warning strategies, intervention and assistance for declining enrollment, potential “death spiral” districts.
- Policy that attends to significant and growing disparities in special education funding and services between districts.
- Revise tax provisions around “new” and “existing” property to create comparable values and revenues for education.
- Incentives and support for consolidation (where desired) and for regional organization of non-instructional services (including transportation which could aid in leveling choice opportunities).
- Steps to solidify the pension system and reduce costs of pension liabilities.